

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 UNIVERSAL CITY STUDIOS, INC.,

4 Plaintiff,

5 -against-

6 NINTENDO CO., LTD. and
7 NINTENDO OF AMERICA, INC.,

8 Defendants.

82 Civ. 4259 (RWS)

10
11 DECLARATION OF STEPHEN A. KROFT

12
13 I, STEPHEN A. KROFT, declare as follows:

14
15 1. I am a member of the bar of the State of California
16 and of the law firm of Rosenfeld, Meyer & Susman of Beverly Hills,
17 California. I make this declaration in support of the motion of
18 plaintiff Universal City Studios, Inc. ("Universal"), pursuant to
19 Rule 59 of the Federal Rules of Civil Procedure, for a new trial
20 of the issues presented by the counterclaim of defendants Nintendo
21 Co., Ltd. and Nintendo of America, Inc. (collectively "Nintendo")
22 for tortious interference with contractual relationships, by
23 Nintendo's application for punitive damages therefor, and by its
24 claim for attorneys' fees incurred in the defense of Universal's
25 trademark and unfair competition claims.

26
27 2. This declaration will detail the facts with respect
28 to:

A001083

1 (a) the representation of Universal and its parent
2 corporation MCA, Inc. ("MCA") by my firm and me over many years;

3
4 (b) my knowledge and expertise in matters relating to
5 King Kong as of April 1982, when Universal asked me for legal ad-
6 vice as to whether or not it had a basis for any claims arising
7 out of the marketing of Nintendo's Donkey Kong video arcade games,
8 and

9
10 (c) the legal advice I gave Universal to the effect
11 that Universal did indeed have a basis for asserting claims
12 against Nintendo; the reasoning underlying the foregoing advice;
13 and the legal services that I performed for Universal in April,
14 May and June 1982 in connection with the claims Universal as-
15 serted against Nintendo and Coleco Industries, Inc. ("Coleco").
16

17 3. This declaration is based upon my personal knowledge
18 of the matters and events described. All documents referred to
19 herein are being submitted as exhibits to this declaration in a
20 separate exhibit binder.*
21

22 * With the exception of Exhibit E hereto (see ¶ 19, infra), and
23 Exhibit N hereto (see ¶ 46, infra), the memoranda and other docu-
24 ments from the Rosenfeld firm's files relating to King Kong that
25 are annexed to this declaration were not reviewed by Universal's
26 former litigation counsel in this action, Townley & Updike, un-
27 til after the trial of this action had been completed. It was
28 (and is) my belief that they constitute attorney work product ma-
terials, and I retained them in my files. However, since this
Court's July 29 opinion held that the basis for my Donkey Kong
advice to Universal had to be proven in order to establish the
defense of reliance on counsel (Op. 14, 44), my firm and I have
waived our work product privilege to the extent necessary to make
that showing.

1 A. The Rosenfeld Firm and its
2 Relationship with Universal

3 4. My law firm, which I will refer to as the Rosenfeld
4 firm, was established in the 1950's, and now numbers approximately
5 50 lawyers.* The firm has a general commercial practice with an
6 emphasis on entertainment and intellectual property matters in-
7 volving copyright and trademark law. Major entertainment industry
8 clients in addition to Universal include Lorimar, Inc. and MTM
9 Productions, Inc. (named after the television star Mary Tyler
10 Moore). The Rosenfeld firm also handles litigation for Firemen's
11 Fund Insurance Company under errors and omissions policies which
12 cover copyright and trademark infringement claims against the in-
13 sureds; in that capacity, we have represented most of the major
14 motion picture studios from time to time.

15
16 5. The Rosenfeld firm is outside general counsel for
17 Universal and its parent, MCA. The firm has been performing legal
18 services for Universal since approximately 1962 when MCA acquired
19 Universal in connection with its acquisition of Decca Records,
20 Inc., which had owned a majority of the common stock of what was
21 then called Universal Pictures, Inc. MCA had been a client of the
22 Rosenfeld firm and its senior partners for a number of years be-
23 fore the Universal acquisition.

24
25 6. The Rosenfeld firm has handled a substantial amount

26
27 * A copy of the biographical data concerning the Rosenfeld
28 firm that appears in the current Martindale-Hubbell directory is
submitted herewith as Exhibit A.

1 of litigation for MCA and Universal in the course of its repre-
2 sentation. We are consulted with great frequency on litigation
3 matters in which these clients are or may be involved (excepting
4 purely routine matters) regardless of where the litigation may be
5 pending. In addition, we conduct most of MCA's and Universal's
6 commercial litigation in California and from time to time handle
7 or assist in the conduct of important litigation matters in other
8 jurisdictions.

9
10 7. I have practiced with the Rosenfeld firm since
11 January 1969 when I was admitted to the bar. I became a partner
12 of the firm in January 1973. In addition to the California bar,
13 I am a member of the bars of the United States District Court
14 for the Central District of California, the United States Court
15 of Appeals for the Ninth Circuit and the United States Supreme
16 Court. I am also a member of the Board of Trustees of the Los
17 Angeles Copyright Society.

18
19 8. During the nearly 17 years that I have been practic-
20 ing law, I have specialized in litigation. Much of that work has
21 involved the litigation of numerous copyright cases, trademark and
22 unfair competition cases and the rendition of litigation advice in
23 these areas of law for various clients of the firm. In addition,
24 I have handled a myriad of commercial disputes including breach
25 of contract actions and antitrust actions. I have tried cases in
26 both the federal and state courts and have argued on a number of
27 occasions before the United States Court of Appeals for the Ninth
28 Circuit and the Court of Appeal of the State of California, Second

1 Appellate District (which includes Los Angeles). As set forth
2 below, I have also argued twice before the Supreme Court of the
3 United States.

4
5 9. I have never been the subject of any disciplinary
6 proceeding and have never been accused of any violation of Rule
7 11 of the Federal Rules of Civil Procedure. To the best of my
8 knowledge, none of the other lawyers at the Rosenfeld firm has
9 ever been the subject of any such proceeding or accusation. I
10 have never advised a client to bring or defend a lawsuit unless
11 I genuinely believed that there was a good faith basis for the
12 prosecution or defense of the action.

13
14 10. Since 1975, I have been one of the partners at the
15 Rosenfeld firm with primary responsibility for handling major lit-
16 igation matters for MCA and Universal. For example, I was the
17 attorney who filed, tried and eventually argued before the Supreme
18 Court twice in the so-called "Betamax" case, which became a cause
19 celebre in the entertainment and electronics industries (see Sony
20 Corporation of America v. Universal City Studios, Inc., 104 S. Ct.
21 774 (1984)).* I have also handled other major litigation matters
22 for MCA and/or Universal including a \$25 million arbitration
23 dispute involving the record industry, a \$17.1 million dispute

24
25 * As the Court is doubtless aware, the Betamax litigation
26 involved important and complex copyright issues as to whether
27 the marketing of home video tape recorders, which are frequently
28 used to record copyrighted works, infringed copyrights held
by Universal and the other plaintiff. While Universal prevailed
in the Ninth Circuit, a sharply divided Supreme Court, by a 5 to
4 vote, ultimately reversed the decision in Universal's favor.

1 involving the videogame industry, and the complex King Kong lit-
2 igation which was conducted in both state and federal courts in
3 California between 1975 and 1980.

4
5 11. The personal relationships I have developed with
6 Sidney J. Sheinberg, President of MCA and Universal, with Robert
7 D. Hadl and with other executives at Universal are such that I
8 do not hesitate to tell them what I truly believe whenever I am
9 called upon for legal advice. I have counselled against courses
10 of action on which Universal management has solicited my advice
11 whenever I felt that such advice was warranted. I am not aware of
12 any situation in which anyone at Universal has sought to "use" me
13 by seeking my advice for ulterior purposes. To the contrary,
14 since I function as outside counsel in litigation matters, and am
15 removed from the day-to-day operations of Universal, I believe
16 that Universal values my ability to respond to inquiries on
17 litigation matters with objectivity and on the basis of broad ex-
18 perience.

19
20 12. I worked closely with Mr. Sheinberg during both
21 the Betamax and King Kong litigations. Both were matters of great
22 importance to Universal and to Mr. Sheinberg personally and Mr.
23 Sheinberg took a deep personal interest in both of them.* I have
24
25

26 * It is pertinent to note that the prevailing view in the
27 respective industries concerned at the times these matters were
28 being litigated was that Universal's chances of success were
somewhat remote. Nevertheless, no question was ever raised in
either case about the good faith or propriety of Universal or
the Rosenfeld firm or me personally in pursuing these cases.

1 heard Mr. Sheinberg say, as I understand he told this Court, that
2 it is likely that the two words that will be inscribed on his
3 tombstone are King Kong and Sony (see Op. 8).^{*} As to King Kong,
4 I understood that litigation to be of such significance to him be-
5 cause, as he told me, he was personally involved in Universal's
6 plans to produce a remake of "King Kong" in the first place. Dur-
7 ing the course of the litigation, Mr. Sheinberg spent many, many
8 days participating in strategy sessions, sitting in on trial ses-
9 sions and negotiating with representatives of the other parties
10 in an effort to settle the underlying disputes.

11

12 B. My Knowledge and Experience in
13 Matters Relating to King Kong

13

14 13. When Universal first consulted with me concerning
15 Donkey Kong, in April 1982, I had already developed a substantial
16 body of knowledge and experience in matters relating to King
17 Kong. As indicated above, I had handled the state and federal
18 litigations with RKO relating to King Kong. I had also conducted
19 most of the settlement negotiations (in consultation with Mr.
20 Sheinberg) and overseen the drafting of the settlement documents
21 that brought the litigation to a successful conclusion for
22 Universal. In addition, I had been consulted thereafter by Mr.
23 Sheinberg and by Joseph V. DiMuro of Universal's legal department
24 as to Universal's merchandising rights under those settlement doc-
25 uments.

26

27

28

^{*} References to "Op." are to this Court's Opinion dated July
29, 1985.

1 14. Based on this experience, it was my strong belief
2 that Universal had acquired the right to license and enforce the
3 trademark rights in the name, character and story of King Kong
4 from the agreement dated December 15, 1976, between Universal and
5 Major Richard M. Cooper (the "Cooper Assignment") (see Exhibit B
6 hereto).* As the attorney in charge of the King Kong litigation,
7 I conducted the negotiations which led to, and Mr. DiMuro and I
8 drafted, the Cooper Assignment. Universal paid Major Cooper
9 \$200,000 for the Assignment.

10
11 15. As of April 1982, when I was consulted by
12 Universal concerning Donkey Kong, I was aware that the Cooper
13 Assignment had expressly granted Universal all of Major Cooper's
14 right, title and interest in King Kong with the sole exception
15 of book publishing rights. I was also aware that the Cooper
16 Assignment had expressly granted Universal all of Major Cooper's
17 rights flowing from the findings and the interlocutory judgment
18 entered by Honorable Manuel L. Real in favor of Major Cooper on
19 December 9, 1976, as well as all rights flowing from any final
20 judgment that might thereafter be entered in Major Cooper's
21 favor, in connection with the cross-claims Major Cooper had
22 pleaded against RKO in the action entitled Universal City
23 Studios, Inc. v. RKO General, Inc., Case No. CV 75-3526R (C.D.
24 Cal.).

25
26
27 * As the Court is aware, Major Cooper is the son of Merion
28 Cooper, the creator of King Kong, who in the early 1930's had
licensed RKO to produce one motion picture (and a sequel there-
to) utilizing the character, name and story King Kong.

1 16. I was further aware that a final judgment (the
2 "Cooper Judgment") (see Exhibit C hereto) had been entered in
3 Major Cooper's favor on January 6, 1981, and that, among other
4 things, the Cooper Judgment reinstated the interlocutory judgment
5 which had recited:
6

7 1. That as between RKO and Richard Cooper, all
8 rights in and to the use of the name, character, and story
9 "King Kong", other than the right to produce the motion
10 picture photoplay "King Kong" as published by RKO on Febru-
11 ary 24, 1933 and to copyright and renew the copyright in
12 the said motion picture photoplay "Son of Kong" as published
13 by RKO and to copyright and renew the copyright in the said
14 motion picture photoplay, are exclusively vested in and
15 solely owned by Richard Cooper.
16

17 2. That Defendant and Cross-Defendant RKO is a con-
18 structive trustee of all of the rights in and to the char-
19 acter, name, and story "King Kong" to the extent they have
20 been exercised by it at any time prior to the date of this
21 Final Judgment, and Richard Cooper is the sole beneficiary
22 of said trust.
23

24 * * *

25 6. That RKO execute assignments in favor of Richard
26 Cooper, in the form approved by the Court, of each of the
27 outstanding contracts by which RKO has or will obtain money
28 as a result of the use of the name, character, and/or story
as a result of the use of the name, character, and/or story
"King Kong" in connection with sequels to (excluding "Son of
King Kong") or remakes of the RKO motion picture photoplay "King
Kong" and/or in connection with the use of the character,
name, or story "King Kong" for the production, distribution,
sale, or promotion of any toys, games, books, pictures,
models, or any other form of merchandising.

My opinion at that time was -- and it still is -- that the Cooper
Assignment and the Cooper Judgment conveyed to Universal all of
Major Cooper's rights with respect to King Kong (except book pub-
lishing rights), and that those rights included all conceivable

1 rights, including copyright rights, trademark rights and merchan-
2 dising rights, to the name, title, story and character of King
3 Kong.

4
5 17. I was also aware in April 1982 that Universal's
6 copyright rights were limited by RKO's copyright rights with re-
7 spect to the 1933 film it had produced under license from Merion
8 Cooper and a sequel to that film. I was of the view, however,
9 that the settlement agreement and release dated June 4, 1980 be-
10 tween Universal and RKO, which I participated in negotiating and
11 which I primarily drafted (the "Universal-RKO Agreement") (see
12 Exhibit D hereto), left RKO only the very narrow right to pre-
13 clude Universal from making or distributing "verbatim copies or
14 excerpts" of or from its "King Kong" movies.*

15
16 18. Specifically, the Universal-RKO Agreement provided
17 that:

18
19 6. RKO covenants and agrees that it will not sue
20 Universal, its assignees or licensees, and RKO will not
21 challenge by litigation in any forum, the making, production,
22 distribution or exploitation by Universal, its assignees or
23 licensees of any motion picture or motion pictures made in
24 the future (a) using the name, title, character or story
25 "KING KONG" or (b) based on all or any portion of the copy-
26 righted motion pictures "KING KONG" and "SON OF KING KONG"
27 produced and released by RKO in the 1930's (hereinafter "the
28 1930's motion pictures"). Notwithstanding the foregoing
sentence, nothing herein contained shall be construed as
permitting Universal to duplicate or distribute in any
medium verbatim copies or excerpts from the 1930's motion
pictures

* Of course, RKO also retained the right to distribute its
"King Kong" movies.

1 I intended and understood this language to mean that, absent RKO's
2 consent, Universal has no right to use film clips or still photo-
3 graphs from RKO's movie versions of King Kong, i.e., to engage in
4 "verbatim" copying, but that Universal is otherwise entitled to
5 exploit the visual image of King Kong, both in exploiting the
6 King Kong trademark it acquired under the Cooper Assignment and
7 otherwise.

8
9 19. Following execution of the Universal-RKO Agreement,
10 Mr. Sheinberg asked me and Mr. DiMuro to give him our opinion as
11 to the extent of Universal's merchandising rights at that time,
12 given that Paramount Pictures had then been conducting an exten-
13 sive, and very successful, King Kong licensing program in connec-
14 tion with the 1976 re-make. I no longer recall my conversation
15 with Mr. Sheinberg, but a June 12, 1980 memorandum which I sent
16 to one of my partners (I was leaving on vacation) reflects the
17 substance of the views that Mr. DiMuro and I communicated to Mr.
18 Sheinberg as to the then-status of Universal's merchandising
19 rights. (A copy of that memorandum is submitted herewith as
20 Exhibit E.)

21
22 20. I advised my partner as follows (emphasis in
23 original):

24
25 3. Sid Sheinberg has asked both me and Joe DiMuro
26 for our opinion as to the extent of merchandising rights,
27 if any, which Universal now owns to merchandise King Kong
28 and, in addition, to establish a King Kong attraction at the
Universal Tour. Joe and I agree that Universal has the
right to put a King Kong attraction at the tour but that
there may be some question as to whether it has the right to

1 merchandise King Kong in competition with Paramount licensees
2 if [RKO has] extended Paramount's merchandising rights beyond
3 December 1, 1979. The analysis by which Joe and I reached
4 our conclusion stated above is somewhat complicated and I
will not set it forth here, but Joe DiMuro is fully familiar
with this aspect of the matter.

5 Then, after referring to inquiries I was making as to whether RKO
6 had in fact extended the term of Paramount's merchandising rights
7 beyond December 1, 1979, I expressed the view (emphasis in origi-
8 nal):

9
10 (b) The foregoing [possible extension of Paramount's
11 rights] is important because it appears that our merchan-
12 dising rights are derived through Richard Cooper by way of
13 Cooper's judgment against RKO. That judgment appears to
14 confirm the RKO merchandising licenses with respect to the
15 DeLaurentiis' picture (including the Paramount license)
16 since it declares RKO the constructive trustee of all monies
17 received under those merchandising licenses. This means,
18 apparently, that for all existing merchandising licenses our
rights are simply to collect the monies received by RKO for
those licenses. As to the future (that is the period beyond
which there is no conflict with licenses already existing
from RKO to Paramount) Universal will have the right to
further merchandise King Kong. (As to the above, Joe DiMuro
is fully apprised of the analysis by which I reached the
above conclusion).

19
20 We subsequently determined that RKO had not extended the term of
21 Paramount's merchandising rights and, accordingly, that the rights
22 to further merchandise King Kong had already become vested in
23 Universal.

24
25 21. Thus Mr. DiMuro's June 18, 1980 memorandum to Mr.
26 Sheinberg outlining Universal's merchandising rights with respect
27 to King Kong (PX 3) (Exhibit F hereto) mirrored my conclusions,
28 not only those of Mr. DiMuro. The suggestion in this Court's

1 recent opinion (Op. 9) that Mr. DiMuro alone was consulted by Mr.
2 Sheinberg on that subject is incorrect.
3

4 22. Further, I was the person who recommended that Mr.
5 DiMuro send RKO a letter putting it on notice to enter into no
6 further merchandising licenses with respect to King Kong (see Ex-
7 hibit G hereto). Pursuant to my recommendation, Mr. DiMuro sent
8 such a letter to RKO's counsel as well as to executives of Para-
9 mount and Dino DeLaurentiis Corporation ("DDL"), whose merchan-
10 dising rights under licenses from RKO had expired on December 1,
11 1979, informing them that Universal was asserting rights with re-
12 spect to King Kong (see Exhibits H, I and J hereto). These let-
13 ters (copies of which Mr. DiMuro sent to me) all stated in words
14 or substance that Universal "intends to begin the exploitation of
15 its 'King Kong' merchandising rights shortly" (id.).
16

17 23. To the best of my recollection, I was not there-
18 after consulted by Universal with respect to King Kong marketing
19 matters until late April, 1982. Specifically, so far as I can
20 recall, I was not consulted with respect to the request for ad-
21 vice concerning whether Universal had to obtain DDL's consent
22 to produce a re-make of "King Kong" which led to the April 8,
23 1982 memorandum from Mr. DiMuro to Mr. Sheinberg (DX 89) (Exhibit
24 K hereto).^{*} Recognizing the great importance that this Court
25 appears to have attached to that document as somehow defining
26

27
28 ^{*} In contrast to my central role in negotiating and documenting
the RKO settlement, I had very little role in Universal's settle-
ment with DDL.

1 the parties' rights, I must respectfully note that RKO's rights
2 are not defined there but in paragraph 6 of the Universal-RKO
3 Agreement that I negotiated with RKO (quoted above at ¶ 18); and
4 that the contract language gives RKO only the right to prevent
5 Universal from engaging in "verbatim" copying. Any other use of
6 the visual image of the "King Kong" ape is permitted to Universal
7 under the terms of that Agreement.

8
9 24. Having worked closely with Mr. DiMuro in many mat-
10 ters, I have the deepest respect for his truthfulness and honor.
11 He is a deeply religious man, and I have never known him to lie
12 or dissemble. He is also a very cautious attorney who in 1976
13 had been "burned" when, unbeknownst to him, a scriptwriter who was
14 writing a King Kong script for Universal viewed RKO's "King Kong"
15 movie and thereby created grave difficulties with Universal's pro-
16 duction costs insurer. Perhaps that unfortunate experience under-
17 lay the conservative advice in Mr. DiMuro's memorandum. In any
18 event, it is my opinion that the validity of Universal's trademark
19 rights in the name King Kong is not affected by the existence of
20 RKO's copyright rights in the slightest degree. In my opinion,
21 the fact that Universal does not have the right to license the
22 verbatim image of RKO's copyrighted movie gorilla in conjunction
23 with the name has nothing to do with Universal's trademark rights
24 in the name.

25 //

26 //

27 //

28 //

1 C. My Legal Advice and Services to
2 Universal Regarding Donkey Kong

3 25. On or about April 16, 1982, I received a telephone
4 call from Mr. Hadl. He told me that there was a video arcade game
5 called Donkey Kong which could be played at local coin-operated
6 video arcades. He asked me if I had ever heard of the game, and
7 I told him that I had not. He asked me to visit a video arcade
8 and play the game over the ensuing weekend and to advise him
9 whether I believed that the Donkey Kong game infringed any of
10 Universal's rights in King Kong. I told Mr. Hadl that I would
11 do so.*
12

13 26. I was not at all surprised that Mr. Hadl chose to
14 call me with a request of this nature. Given my past relationship
15 with Universal in general, and Messrs. Sheinberg and Hadl in par-
16 ticular, I believe I was the logical person for Universal to con-
17 tact with such a request.
18

19 27. This Court's recent opinion leaves the definite
20 impression that Universal's decision to consult me rather than
21

22 * To the best of my recollection, Mr. Hadl did not identify
23 Nintendo as the company marketing the Donkey Kong games until a
24 later conversation. In any event, I am certain that he did not
25 say that Universal was negotiating an acquisition of or joint
26 venture with Coleco at any time relevant hereto; nor do I recall
27 learning that Coleco intended to distribute Donkey Kong pursuant
28 to a license from Nintendo in Mr. Hadl's call to me or at any time
prior to the eve of the meeting I attended with representatives
of Universal, Nintendo and Coleco on May 6, 1985. Accordingly,
there is no basis for this Court's intimation (Op. 15, 44) that
my advice was tailored to give Mr. Sheinberg a "bargaining chip"
in his discussions with Coleco. See ¶ 43, infra.

1 Mr. DiMuro concerning Universal's rights against Nintendo consti-
2 tuted a suspicious circumstance (e.g., Op. 20, 43). With respect,
3 I think this is incorrect.

4
5 28. In my view, Universal had not one, but two King
6 Kong experts available to it, Mr. DiMuro and myself, and in a lit-
7 igation matter (such as Nintendo's activities), I was the more
8 expert. As noted above, it was I, not Mr. DiMuro, who handled the
9 1975 to 1980 King Kong litigation and the settlement of that liti-
10 gation. It was I, not Mr. DiMuro, to whom Mr. Sheinberg looked in
11 striking the deal for the Cooper Assignment. It was I, not Mr.
12 DiMuro, who primarily drafted the Universal-RKO Agreement. At a
13 minimum, on the basis of general expertise alone, Universal could
14 reasonably have chosen to consult either Mr. DiMuro or myself for
15 legal advice concerning Donkey Kong.

16
17 29. More importantly, the nature of the question in-
18 volved made the decision to consult me the most logical choice.
19 Universal was not seeking "corporate" advice as to what it could
20 itself do to exploit its rights in King Kong without running un-
21 necessary risks of violating the rights of third parties. Rather,
22 it was seeking advice as to whether it had a good faith basis for
23 asserting a claim against a third party marketing a product bear-
24 ing a name strikingly similar to King Kong and involving a story
25 line evoking that of King Kong. I do not believe that Universal
26 can be faulted for seeking that advice from a litigator with broad
27 experience in copyright and trademark law, as well as detailed
28 knowledge concerning King Kong.

1 30. Following my conversation with Mr. Hadl, I visited
2 a video arcade and played the Donkey Kong game (or at least at-
3 tempted to). Thereafter, I formulated my views with respect to
4 Universal's legal claims as against its manufacturer and/or dis-
5 tributors.
6

7 31. I then telephoned Mr. Hadl and advised him that I
8 did not believe that the Donkey Kong game violated any copyright
9 interests. However, I told Mr. Hadl that Universal might well
10 have a claim for unfair competition and violation of Section 43(a)
11 of the Lanham Act (15 U.S.C. § 1125(a)). I believed then, and
12 believe now, that these views were correct. In any event, the
13 views I formulated at that time were reached in the good faith
14 exercise of professional judgment and based on what I considered
15 a solid factual and legal basis. Moreover, as is set forth more
16 fully below, the legal questions which struck me as calling for
17 additional legal research were pursued by one of my associates
18 in the weeks that followed, and her conclusions -- some of which
19 were embodied in formal memoranda to me -- did not lead me to
20 change my advice to Universal. See ¶ 50, infra.
21

22 32. This Court observed in its opinion that no evidence
23 was adduced by Universal at trial concerning any written opinion
24 or memoranda supporting my legal conclusions regarding possible
25 claims by Universal against the manufacturer and/or distributors
26 of Donkey Kong (Op. 14, 44). The fact is, however, that the con-
27 clusions I reached are evidenced by several writings which I re-
28 garded (and regard) as protected work product material, but which

1 are clearly relevant to the basis for my advice to Universal, and
2 as to which I am therefore waiving the privilege.

3
4 33. The earliest document in the Rosenfeld firm's files
5 relating to the advice I gave is a draft memorandum dated April
6 23, 1982, that I had contemplated refining and sending to Mr. Hadl
7 (see Exhibit L hereto). The draft reflects Mr. Hadl's request
8 that I examine and play Donkey Kong and then prepare "a short
9 memorandum expressing my initial reaction to the possibility of a
10 suit by Universal against the manufacturer and/or distributor of
11 [Donkey Kong]". To the best of my recollection, I never finished
12 this memorandum or sent the draft or any portion thereof to Uni-
13 versal. Based upon my course of dealing with Universal over the
14 years, I have concluded that after I discussed the substance of
15 the memorandum with Mr. Hadl over the telephone, we decided that
16 a formal memorandum was no longer necessary.

17
18 34. As the third paragraph of my draft memorandum in-
19 dicates, I advised Mr. Hadl that I did not believe Universal or
20 anyone else had any basis for a copyright claim as against the
21 manufacturer and/or distributors of Donkey Kong.* I was aware
22 of course that the story line of Donkey Kong clearly evoked the
23 story line of King Kong inasmuch as Donkey Kong and King Kong both
24 involve a gorilla, a large building and a lady captive. I was

25
26
27 * Universal held all existing copyright rights in the original
28 King Kong story (other than book publishing rights) under the
Cooper Assignment.

1 also aware, however, that it is only the expression of a particu-
2 lar idea, and not the idea itself, that is protected by the copy-
3 right laws. I did not think the expression in the Donkey Kong
4 game of the basic idea of the rescue of the proverbial damsel in
5 distress from the clutches of a King Kong-like gorilla was suffi-
6 ciently similar to the expression of the same general idea in the
7 King Kong story to warrant the assertion of a copyright claim by
8 Universal. Mr. Hadl accepted my advice on this score and Universal
9 never asserted any copyright claim against Nintendo or any of the
10 distributors of Donkey Kong.

11
12 35. On the other hand, as my memorandum makes clear, I
13 believed that Universal had a basis for asserting unfair competi-
14 tion and Lanham Act claims against the manufacturer and/or dis-
15 tributors of Donkey Kong. Based upon my participation in the King
16 Kong litigation, I had no doubt but that Universal had validly
17 succeeded to all of the rights that Merion and Richard Cooper had
18 held in King Kong, including the trademark rights deriving from
19 RKO's many years of successful exploitation of the goodwill re-
20 sulting from its two "King Kong" movies, as well as the movie pro-
21 duced by DDLC under license from RKO. I believed it could be
22 shown that the name King Kong had developed "secondary meaning" in
23 the sense that the public would perceive that any product bearing
24 the name Kong was approved, sponsored by or associated with the
25 person or entity that possessed the rights to exploit the good
26
27
28

A#001101

1 will resulting from the "King Kong" movies.* I thought that the
2 marketing of the Donkey Kong games could cause confusion because
3 of the similarity of the names. In this connection, I also
4 thought it significant that both names had one unusual word in
5 common, "Kong", and that one of the words in the phrase Donkey
6 Kong happened (perhaps more than coincidentally) to be the very
7 name of the gorilla in the "King Kong" movies.** Moreover, in my
8 view, the fact that the name Donkey Kong was being used to market
9 a series of games featuring a gorilla, and evoking the story line
10 of the "King Kong" movies, enhanced the danger of public confusion
11 arising out of the similarity of the names.

12
13 36. However, I did not believe, nor did I advise Mr.
14 Hadl, that Universal's claim was a sure "winner". I do not think
15 that any responsible lawyer would have given any such assurance,
16 given the nature of the factual issues presented which involved
17 arguable questions of public perceptions. But, I believed then,
18 and I believe now, that Universal had bona fide unfair competi-
19 tion and Lanham Act claims that presented fair grounds for lit-
20 igation, and I am convinced that I did not violate any legal or
21 ethical duties to anyone in giving Universal such advice.

22
23
24 * As my April 23 draft memorandum also notes (p. 2, first full
25 paragraph), I also believed that it was "[un]clear whether a
26 plaintiff is required to prove secondary meaning in an action
brought under § 43(a) of the Lanham Act"

27 ** The movie gorilla's name is "Kong." He is also called King
28 Kong because of his majestic qualities suggested by the King Kong
story.

1 37. As my contemporaneous draft memorandum also re-
2 flects, I was aware in April 1982 that a position I had advocated
3 on behalf of Universal in the King Kong litigation before Judge
4 Real could be used against Universal in a Lanham Act action
5 against the manufacturer and/or distributors of Donkey Kong (see
6 Exhibit L, pp. 2-3). Thus, I had argued the position in the
7 earlier litigation that there was no "secondary meaning" in the
8 title "King Kong" and introduced a number of non-RKO trademark
9 registrations in support of that position (as well as songs and
10 cartoons employing the name "King Kong"). It was obvious that
11 Nintendo could attempt to get litigation "mileage" out of a
12 potentially different position on this question by Universal in
13 this litigation.

14
15 38. I believed, however, that the question of second-
16 ary meaning was one which a trier of fact might resolve either
17 way and that Universal was not estopped to argue that King Kong
18 had secondary meaning. In this connection, one key factor that
19 I considered was that the judgment that had been entered against
20 RKO containing the finding that there was "no evidence of second-
21 ary meaning" had subsequently been vacated. Moreover, as the
22 language of the vacated finding indicates, Universal's success
23 before Judge Real on this issue stemmed primarily from RKO's utter
24 failure to establish secondary meaning (indeed, it made no effort
25 to prove secondary meaning other than an unsuccessful attempt
26 to have the opinion of a former Universal executive received into
27 evidence), and not from the strength of the evidence Universal
28

1 had introduced tending to show absence of secondary meaning. (I
2 do not recall that any evidence of actual third-party trademark
3 use was proffered by Universal.) I assumed that if the issue came
4 up again Universal's trial counsel would be forewarned by RKO's
5 failure to prove its case and would make sure to marshal the
6 evidence to show secondary meaning.* Consequently, I believed
7 that Universal had a good chance of defeating any contention that
8 Universal was estopped to assert a different position than it had
9 maintained before Judge Real on the secondary meaning question.
10 And, indeed, Universal ultimately did prevail on that issue. See
11 578 F. Supp. at 919-21.

12
13 39. At the time I advised Mr. Hadl in April, May and
14 June 1982, I anticipated that Nintendo might attempt to argue that
15 RKO, rather than Universal, was the owner of the trademark rights
16 in King Kong and that Universal had no right to maintain an ac-
17 tion to enforce its rights against Nintendo under the Lanham Act.
18 I believed that Universal could prevail against such an argument
19 for several reasons. First, the prior King Kong litigation in
20 California had produced a federal court judgment, the Cooper
21 Judgment -- whose validity had never been questioned -- to the
22

23 * Moreover, it must not be forgotten that Universal established
24 in defense of RKO's counterclaim that it had a contractual right
25 to the use of the name, title and character King Kong for the
26 purpose of producing, marketing and distributing a motion picture
27 under the name and title King Kong. Since the Court sustained
28 this contractual defense -- a complete defense to RKO's unfair
competition counterclaim -- it seems clear that the Court's sub-
sequent findings and conclusions concerning secondary meaning and
likelihood of confusion were neither essential, material nor
necessary to the Court's rejection of RKO's counterclaim.

1 effect that, as between RKO and himself, Major Cooper owned "all
2 rights" in King Kong except as to copyright rights in RKO's 1933
3 movie and a sequel thereto. The Cooper Judgment did not exclude
4 trademark rights from the phrase "all rights," and Judge Real's
5 interlocutory finding of no "evidence of secondary meaning" had
6 been vacated in January, 1981, more than a year before my con-
7 versation with Mr. Hadl.* Moreover, I understood that the Cooper
8 Judgment was not a mere naked transfer of trademark rights in
9 gross but that it effected the transfer to Major Cooper of the
10 underlying business and "good will" in the King Kong name which
11 RKO had built up over the years, through its own activities and
12 those of its King Kong licensees -- including, most recently,
13 Paramount Pictures. I was also aware, having personally nego-
14 tiated the Cooper Assignment and participated in the drafting
15 of the documentation, that Major Cooper had sold to Universal
16 "all" of his rights (except book publishing rights) under the
17 Cooper Judgment for the not inconsiderable sum of \$200,000.
18 Second, as my April 23 draft memorandum sets forth, I also be-
19 lieved that a meritorious legal theory was available to Universal
20 under the very broad language of Section 43(a) of the Lanham Act
21 which would not depend in any sense upon Universal, rather than
22 RKO or Cooper, being the technical legal "owner" of the trademark
23 rights in King Kong. See Exhibit L, pp. 1-2.

24
25 * The fact that Judge Real's 1981 judgment states that it did
26 not "affect" the finding that the King Kong story is in the pub-
27 lic domain (a finding which had been made in connection with a
28 judgment by Universal against Major Cooper and RKO that was sub-
sequently vacated) is, of course, irrelevant to the trademark
issue, as this Court expressly noted in its first opinion herein.
See 578 F. Supp. at 919.

1 40. In rendering my advice to Mr. Hadl, I also believed
2 there was a basis for a good faith contention that the King Kong
3 trademark had continuing vitality. I was aware by my personal
4 involvement in the RKO litigation that RKO and its licensees had
5 over a period of nearly fifty years consistently sought to exploit
6 and profit from the good will associated with the original story
7 and the original movie. I was aware that this activity had gen-
8 erated substantial sums of money. I was aware that the continu-
9 ing vitality of this good will was precisely the factor which had
10 led to the RKO litigation. I was aware that after the DDLC remake
11 was issued, additional extensive merchandising activities profit-
12 able to RKO had been conducted under the supervision of Paramount
13 Pictures pursuant to a license from RKO. (The facts concerning
14 this post-1976 activity had not, of course, been before Judge
15 Real in 1976.)
16

17 41. I was also aware from Mr. Sheinberg's intimate par-
18 ticipation in the King Kong litigation that the further exploita-
19 tion of King Kong was a matter of the utmost importance to him
20 personally and, therefore, to Universal. I understood that Mr.
21 Sheinberg had seriously contemplated making yet another King Kong
22 movie. Indeed, Mr. Hadl's request for advice evidenced the con-
23 tinuing vitality of Universal's interest in this property.*
24

25 * As my April 23 memorandum specifically sets forth (Exhibit
26 L, p. 1), I knew that Universal had not then exploited its King
27 Kong rights. But, notwithstanding the importance which this
28 Court's recent opinion gives to the activities of Universal's
merchandising personnel (e.g., Op. 11-13, 43-44), I must respect-
fully state that in my view these activities are irrelevant to

(footnote continued)

1 42. I note that I am not saying that the thoughts set
2 forth in the preceding two paragraphs went through my mind in any
3 of my conversations with Mr. Hadl; rather, they were part of the
4 general "storehouse" of information and understanding which I
5 possessed at the time. However, the considerations just enume-
6 rated necessarily formed part of the basis for my advice to Mr.
7 Hadl.

8
9 43. Having reviewed this Court's recent opinion, as
10 well as its earlier opinion herein, I must respectfully advise
11 the Court that nothing in them causes me to change my views as
12 to the advice I gave to Mr. Hadl in April, May and June 1982. In
13 particular, I note that, even if one accepts the credibility of
14 Ms. Sifuentes as to the alleged conversation with Mr. DiMuro (a
15 conversation which I never heard of at the time and which, know-
16 ing Mr. DiMuro as I do, I cannot believe occurred), I would not
17 conclude that my client, Universal, had as a corporate matter de-
18 termined not to pursue King Kong licensing activities. I cannot
19 emphasize too strongly my understanding at the time -- and, in-
20 deed, my present understanding -- that given Mr. Sheinberg's
21 strong commitment to the King Kong property, the interest of
22 Universal as a corporation in King Kong has never abated. More-
23 over, it bears emphasis that Mr. Hadl never stated to me, in seek-

24
25 (footnote continued)

26 the issue presented -- whether consumers identify King Kong prod-
27 ucts as emanating from (i.e., being approved by, sponsored by or
28 associated with) the person entitled to exploit the goodwill flow-
ing from the "King Kong" movies. Conceivably the actions or views
of Mr. Adler and Ms. Sifuentes might be germane to a defense of
abandonment, but such a defense would be completely frivolous
here given the intense commitment at the most senior levels of
Universal to the exploitation of its King Kong rights.

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1 ing my advice in April 1982, that Universal was engaged in discus-
2 sions of any nature with Coleco. The first time that I recall
3 learning of Coleco's involvement with Donkey Kong was when I was
4 invited to attend the meeting at Universal on May 6, 1982, three
5 weeks after Mr. Hadl's request for advice with respect to Donkey
6 Kong, and my information even then did not include the fact that
7 Coleco and Universal were considering a joint venture. Thus,
8 aside from the fact that I would never have given advice in which
9 I did not believe in order to give Mr. Sheinberg a "bargaining
10 chip" with Coleco (Op. 15, 44), Mr. Hadl did not present me with
11 any facts that could have led me to believe that advice was de-
12 sired for such a purpose.

13
14 44. At the time of my conversation with Mr. Hadl, one
15 matter which I considered was whether it might be necessary to
16 join RKO in any action as a party plaintiff. As my April 23 draft
17 memorandum sets forth (Exhibit L, p. 2), my initial reaction was
18 that it was "probable" that RKO should be joined. However, on
19 further reflection, I decided that there was no need for this
20 procedural complication -- which would introduce yet another set
21 of lawyers into the matter -- since I believed, based on my ex-
22 perience in negotiating the Universal-RKO Agreement, that RKO was
23 obligated, and would be willing, to give an assignment of cause
24 of action to Universal. My confidence in this regard derived
25 from the fact that the essence of the arrangement with RKO was a
26 transfer of all of RKO's interest in King Kong (other than its
27 right to distribute, and to prevent "verbatim" copying of, its
28 1930's films), and the structuring of the transaction as a cove-

1 nant not to sue had been done for internal corporate reasons at
2 RKO.
3

4 45. In any event, after efforts to settle with Nintendo
5 proved unsuccessful, and Universal decided to sue, I advised Mr.
6 Hadl to request a formal written assignment of cause of action
7 from RKO to obviate any question about Universal's capacity to
8 enforce all relevant trademark claims against Nintendo. As I had
9 anticipated, RKO promptly agreed to, and did, give Universal the
10 requested assignment. See Exhibit M hereto.
11

12 46. After receiving my advice that Universal had meri-
13 torious Lanham Act and unfair competition claims, Mr. Hadl asked
14 me to draft a "demand" telex to Nintendo and thereafter to prepare
15 a complaint against Nintendo. By letter dated April 28, 1982, a
16 copy of which is submitted herewith as Exhibit N, I sent Mr. Hadl
17 the draft demand. In the meantime, I commenced the preparation of
18 a complaint.
19

20 47. I also instructed one of my litigation associates
21 to research the questions whether RKO was a necessary plaintiff
22 under the Lanham Act and for common law unfair competition. I
23 also asked her to look into a third issue. That issue related
24 to arguably misleading conduct by personnel of Universal's mer-
25 chandising department in connection with Universal's application
26 to register its King Kong trademark. I understood that this con-
27 duct consisted of affixing a King Kong label to one or two exam-
28 ples of another manufacturer's product and purporting to sell the

1 product as Universal's own in order to establish a "use in com-
2 merce" of the King Kong trademark. I told my associate that I was
3 concerned that this conduct might be deemed a fraud on the Trade-
4 mark Office and asked her what the effect would be on our proposed
5 litigation if the registration application were withdrawn.
6

7 48. In early May, Mr. Hadl asked me to attend a meet-
8 ing with representatives of Nintendo and Coleco to discuss a
9 possible settlement of Universal's claims against Nintendo. As
10 previously indicated, I attended such a meeting at Universal's
11 offices on May 6, 1982. In the course of the meeting I expressed
12 the opinion that the matter of Universal's acquisition of the
13 right to control the exploitation of the rights in King Kong was
14 "open and shut," as indeed I believed it to be. I do not believe
15 that any request was made by Nintendo representatives for a "chain
16 of title" to support that conclusion, nor did Mr. Hadl say I would
17 send them one (compare Op. 17). My recollection in this regard
18 is confirmed by my notes of the meeting, a copy of which is an-
19 nexed hereto as Exhibit O. As the Court can see, those notes do
20 reflect that Mr. Yerman of the Kaye, Scholer law firm, a repre-
21 sentative of Coleco, made a similar but importantly different re-
22 quest: that Universal either produce a chain of title or include
23 an indemnity provision (against any claims by third parties) in
24 any Coleco/Universal agreement. Had Nintendo made any request
25 for further documentation, my practice would have been to include
26 that in my notes, just as I did in the case of Coleco.*
27

28 * The settlement agreement ultimately negotiated with Coleco
did include an indemnity provision (see PX 19, Exhibit P hereto,
¶ 6), and I presume that this provision fully satisfied Mr.
Yerman's request.

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1 49. No settlement was reached with Nintendo at the
2 May 6 meeting. Accordingly, on May 7, I sent a draft complaint
3 to Mr. Hadl, which contemplated both Universal and RKO as plain-
4 tiffs. I also sent him the chain of title documents comprising
5 Universal's evidence of ownership that Mr. Yerman had adverted to
6 at the May 6 meeting. See my May 7, 1982 letter to Mr. Hadl, a
7 copy of which is submitted herewith as Exhibit Q.
8

9 50. On or about May 17, my associate gave me two memo-
10 randa reporting the conclusions she had reached on the legal
11 points I had earlier asked her to research. See Exhibits R and S
12 hereto. Nothing in these memoranda caused me to change my views
13 with respect to the legal advice I had rendered to Universal.*
14

15 51. As the annexed intermediate drafts reflect, I con-
16 tinued revising the proposed complaint throughout May and into
17 early June 1982. See Exhibits T through W. Some time prior to
18 June 16, Mr. Hadl advised me that he had decided the action should
19 be brought in New York, rather than California. Accordingly, I
20 redrafted the complaint on which I had been working to reflect a
21 venue in the Southern District of New York and sent that on to Mr.
22 Hadl by letter dated June 16, 1982. See Exhibit X hereto. As
23 the Court will note, this draft included three counts based upon
24 Universal's rights to the name, character and story "King Kong"
25

26 * It might be noted that Ms. Kifferstein (the "VK" who signed
27 the memoranda), an extremely bright associate, developed at con-
28 siderable length her analysis of Universal's rights (see Exhibit
R, pp. 11-18). These pages confirm that her judgment was the
same as mine, namely, that Universal had protectible trademark
interests.

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1 that were pleaded on theories of violation of the Lanham Act and
2 unfair competition in violation of federal and state law, respec-
3 tively. At that point my role and my firm's role in the matter as
4 litigation counsel terminated, and thereafter I took no active role
5 in the litigation.
6

7 52. I am stunned that this Court has found that Univer-
8 sal acted in bad faith in bringing its action against Nintendo
9 after receiving my advice that it had a meritorious claim against
10 Nintendo. I believe that Universal had every right to rely on my
11 advice which I gave in good faith, a fact of which the Court could
12 not have been aware since I was not called as a witness.
13

14 I declare under penalty of perjury that the foregoing is
15 true and correct.
16

17 Executed this 17th day of September, 1985 at Beverly
18 Hills, California.
19

20 
21 STEPHEN A. KROFT
22
23
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26
27
28

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